



DEPARTMENT OF THE NAVY
NAVAL ELECTRONIC SYSTEMS COMMAND
WASHINGTON, D.C. 20360

NAVELEX INST 4270.2A
ELEX OOK

NAVELEX INSTRUCTION 4270.2A

SEP 11 1979

From: Commander, Naval Electronic Systems Command

Subj: Component Breakout

Ref: (a) DAR 1-326 (R)
(b) NAVELEX INST 4200.8E, subj: NAVELEX Acquisition Procedures (R)
for Production and Combined R&D and First Production Contracts

Encl: (1) Component Breakout Guidelines, NAVELEX Form 4270/24 (R)
(Rev. 7-79)

1. Purpose. To establish procedures and responsibility for a component breakout program in NAVELEX as required by reference (a).

2. Cancellation. NAVELEX INST 4270.2 of 5 Aug 1977 is hereby cancelled (A)
and superseded.

3. Definition. Component breakout is the process by which a component included as contractor-furnished material in a previous procurement of the end item is "broken out" from a forthcoming end item procurement for direct Government purchase. It is used as a means of obtaining by direct procurement equipment that would otherwise be subcontracted for on a non-competitive basis (even in some cases, on a competitive basis) by an end-item contractor and incorporated in the end item. Breakout may be used for the purpose of purchasing components directly from the supplier and then provided directly to the manufacturer of the end item where substantial savings may result from direct purchase even though done on a noncompetitive basis.

4. Scope

a. Component breakout applies to procurements of weapon systems or other items of major equipment involving components whose direct purchase by the Government may result in substantial net savings over the life of the procurement program. Reference (a) virtually excludes procurements of less than \$1,000,000. The term "component", as used in this paragraph, includes subsystems, assemblies, subassemblies, and other major elements of an end item, but does not include elements of relatively small annual purchase value.

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b. Component breakout must be considered in reprocurments exceeding \$1,000,000 whenever:

(1) It is anticipated that the prime contract will be awarded without adequate price competition and the prime contractor is expected to acquire a component without such competition.

(2) Substantial net cost savings will be achieved.

(3) Such action will not jeopardize the quality, reliability, performance, or timely delivery of the end item.

c. The desirability of breakout should also be considered (regardless of whether the prime contract or the component being purchased by the prime contractor is on the basis of price competition) whenever substantial net cost savings will result (a) from greater quantity purchases or (b) from such factors as improved logistics support through reduction in varieties of spare parts and economies in operations and training through standardization of design. Primary breakout consideration shall be given to those components of the end item representing the highest annual procurement costs and offering the largest potential net savings through breakout.

d. Spare parts governed by the "DoD High Dollar Spare Parts Breakout Program" are not covered by this program.

5. Action

(R) a. For each procurement meeting the criteria specified in paragraph 4, the cognizant project manager or project engineer shall assemble all pertinent information relative to the possibility of component breakout.

(R) b. The Acquisition Planning Conference, in conjunction with its other assigned responsibilities as set forth in reference (b), shall conduct the breakout review and evaluation and make the decision as to whether to break out a component. A completed and signed copy of enclosure (1), NAVELEX Form 4270/24 (Rev. 7-79), shall be included with each procurement presented to the Conference. Copies of the completed and signed form shall be attached to the PR and the APC Summary.

6. Availability of Forms. NAVELEX Form 4270/24 (Rev. 7-79) is available from NAVELEX Supply Room, Room 1W08, NC #1.



H. D. ARNOLD
Acting Commander

Distribution:
ELEX List 5

(including all Acquisition Engineers)

Stocked:
ELEX 90511

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COMPONENT BREAKOUT GUIDELINES

NAVELEX 4270/24 (Rev. 7-79)

A. GENERAL INFORMATION

- | | |
|-------------------------------|--|
| 1. Procurement Request Number | 2. Acquisition Plan Number (if applicable) |
|-------------------------------|--|
-

3. Description (include quantity)
-

4. Purpose/Use
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B. EVALUATION CRITERIA (DAR 1-326.4)

The cognizant project manager or project engineer shall complete and sign this questionnaire prior to submission to the Acquisition Planning Conference.

In deciding whether a component should be broken out, the guidelines set forth below should be considered. Answers will rarely be "positively yes" or "positively no" but usually "probably yes" or "probably no", with the degree of probability governed by the facts of the particular case. The decision will depend largely upon the degree and significance of the risks to quality performance, reliability, and timely delivery of the end item which would be involved in breakout and upon the estimated overall cost savings. Where the risks, if any, are acceptable and breakout is expected to result in substantial overall cost savings, the component should be broken out. On the other hand, if such risks are unacceptable, the components should not be broken out.

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1. Is the design of the component (and the design of the end item insofar as it will affect the component) sufficiently stable that further design or engineering effort by the end item contractor in respect to the component is unlikely to be required?
 2. Is a suitable data package available with rights to use it for Government procurement? (Note that breakout may be warranted even though competitive procurement is not possible.)
 3. Can any problems of quality control and reliability of the component be resolved without requiring effort by the end item contractor?
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Component Breakout Buidelines

4. Is it anticipated that requirements for technical support (i.e., functions such as development of proposed detailed specifications; development of test requirements to prove design adequacy or compliance with design; monitoring tests to assure compliance with established requirements; definition of quality assurance requirements for production of articles; and analysis and correction of service-revealed deficiencies) heretofore performed by the end item contractor will be negligible? If not, does the Government have the resources (manpower, technical competence, facilities, etc.) to provide such support, or can such support be obtained from the end item contractor (even though the component is broken out) or other source?
 5. Can breakout be accomplished without causing unacceptable difficulties in logistics support (e.g., by jeopardizing requisite standardization of components)?
 6. Can breakout be accomplished without causing overfragmentation of the end item that might materially impede administration, management, and performance of the end item contract (e.g., by unduly complicating production scheduling or identifying (and fixing responsibility for) end item failure that may be caused by a defective component)?
 7. Can breakout be accomplished without jeopardizing delivery requirements of the end item?
 8. If a decision is made to break out a component and to acquire it from a new source, can advance procurement funds be made available to provide that source any necessary additional lead time?
 9. Is there a source other than the present manufacturer capable of supplying the component?
 10. Has the component been (or is it known that it is going to be) purchased directly by the Government as a support item in the supply system or as GFE in other end items?
 11. Would the financial risks and other responsibilities being assumed by the prime contractor that will have to be assumed by the Government if the item is broken out be acceptable?
 12. Will breakout result in substantial net cost savings? Estimates of probable savings in cost, should be developed for each case on its own facts, with consideration given to any estimated offsetting costs such as increases in the cost of requirements determination and control, contracting, contract administration, data package purchase, material inspection, qualification or preproduction testing, ground support and test equipment, transportation, security, storage, distribution, and technical support.
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C. RECOMMENDATION (check one of the following boxes)

☐ This component has been reviewed and it has been determined to have no potential for breakout.

☐ This component will be broken out.

(Date)

(Signature of Project Manager or Project Engineer)

D. ACQUISITION PLANNING CONFERENCE DECISION

☐ The APC concurs with the above recommendation.

☐ The APC does not concur with the above recommendation.

(Date)

(Signature APC Chairman)

ENCLOSURE(2)